

LEGISLATIVE AUDIT COMMISSION



Review of
Historic Preservation Agency
Two Years Ended June 30, 2004

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ILLINOIS HISTORIC PRESERVATION AGENCY
TWO YEARS ENDED JUNE 30, 2004

FINDINGS/RECOMMENDATIONS - 10

ACCEPTED - 10

REPEATED RECOMMENDATIONS - 1

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 2

This review summarizes the auditors' reports of the Illinois Historic Preservation Agency for the two years ended June 30, 2004, filed with the Legislative Audit Commission May 10, 2005. The auditors performed a compliance examination in accordance with *Government Auditing Standards* and State law.

The Agency, created July 18, 1985, is responsible for the protection and interpretation of Illinois' history and historic resources. The Agency administers the Abraham Lincoln Presidential Library and Museum (ALPLM), the Illinois State Historical Library, all State-owned historic sites, and the State's preservation program which assists owners of historic properties with rehabilitation and preservation. The Agency's operations are divided into divisions as follows: Administrative Services, Executive Office, Public Affairs and Development, Historic Sites, Preservation Services, and the Abraham Lincoln Presidential Library and Museum (formerly Historical Library Division). The Historic Sites Division administers a total of 52 historic sites, memorials and miscellaneous properties owned by the State. A seven-member board of trustees, appointed by the Governor, is responsible for governing the Agency, establishing its policies, and appointing its director.

Maynard Crossland was the Director of the Illinois Historic Preservation Agency during the examination period. Robert Coomer became the Director on September 1, 2004. He has been with the Agency since 1974, even before it became a separate entity. Before being appointed Director, he served as the Director of Historic Sites.

The number of employees was:

Division	FY04	FY03	FY02
Executive Office	21	23	22
Abraham Lincoln Presidential Museum And Library	29	28	29
Preservation Services	19	21	27
Administrative Services	24	25	32
Historic Sites	101	114	138
TOTAL	194	211	248

Expenditures From Appropriations

The General Assembly appropriated a total of \$22,433,262 from six different funds to the Agency in FY04. Approximately \$13.7 million of the total was appropriated from the General Revenue Fund. Also included in the total appropriation are appropriations from the Illinois Historic Sites Fund (\$3.6 million); the Capital Development Fund (\$1.9 million); the Fund for Illinois Future (\$142,000); the Build Illinois Bond Fund (\$100,000); and the ALPLM Fund (\$3 million). Appendix A summarizes these appropriations and expenditures for the period under review.

Total expenditures for the Agency decreased from \$18.2 million in FY02 to \$17.4 million in FY03 to \$16.1 million in FY04, for a total decrease of \$2.1 million or 11.7%. The overall reduction in expenditures was due to budget reductions, except the increase in the ALPLM was due to hiring staff, equipping the building and paying utilities.

There are also several instances of one-time or last-time expenditures including:

- \$205,000 in FY03 for the Crenshaw House
- \$600,000 in FY04 for the Lake County—Stevenson Farm
- \$100,000 in FY03 for the Campbell Center
- \$98,000 in FY02 and FY03 for the Jarrot Mansion
- \$195,000 in FY03 for the 200th anniversary of the Lewis & Clark Expedition
- \$286,000 for the Mid-South Planning Overton.

Lapse period expenditures for FY04 were \$1.7 million, or 10.7% of total expenditures. This spending exceeded lapse period spending in FY03 because the Agency anticipated taking possession of the Abraham Lincoln Presidential Library and Museum in August 2004.

Cash Receipts

Appendix B summarizes cash receipts for the three-year period, fiscal years 2002 through 2004. Cash receipts decreased from \$2,200,832 in FY02 to \$1,793,857 in FY04. The decrease in receipts between 2003 and 2004 was attributable to a one-time grant from a private organization for the Main Street program in FY03; and FY03 and FY04 federal grants being received in FY03.

Property and Equipment

Appendix C summarizes the property and equipment for which the Department was accountable. The balance as of June 30, 2004 for property and equipment was \$220.9 million, an increase of \$99.5 million over the balance of June 30, 2002. The majority of the increase was due to transfers-in for the ALPLM.

Number of Visitors and Cash Donations

Appendix D provides a summary of the number of visitors (unaudited) to each of the State-owned historic sites and donations collected at each site during FY04 and FY03. The number of total visitors decreased from 2,676,550 in FY03 to 2,608,966 in FY04.

Accountants' Findings and Recommendations

Condensed below are the 11 findings and recommendations included in the audit report. Of these, one was repeated from a prior report. The following recommendations are classified on the basis of information provided by Robert Coomer, Director, in the compliance examination report.

Accepted

- 1. Only make payments for efficiency initiative billings from line item appropriations where savings would be anticipated to occur. Further, seek an explanation from the Department of Central Management Services as to how savings levels were calculated, or otherwise arrived at, and how savings achieved or anticipated impact the Agency's budget.**

Findings: The Agency made the payment for the efficiency initiative billing from an improper line item appropriation without adequate documentation to support where the Agency could anticipate savings to occur. The Agency received one efficiency billing totaling \$19,327 for facilities management consolidation. The Agency delayed making the payment until August 23, 2004 in order to determine both whether funds would be available and where the funds would be available. The Agency paid the entire amount from the salary line of the Historical Library Division.

Response: Accepted. The Agency did not pay the invoice without first seeking further explanation, and did delay payment—making it on the last possible day of the fiscal year and using funds that were going to expire. If such a transfer request happens again, the agency would again attempt to receive full justification of the matter prior to making payment.

- 2. Instruct Site Superintendents to remit all donations to the Agency for deposit into the State Treasury as detailed in the Agency's written guidelines.**

Findings: One of the Agency's 60 historic sites was not remitting donations collected on-site to the Agency for deposit in the State Treasury. Rather, the donations were evenly divided between the site's two volunteer groups and used to benefit the historic site. Complete donation records were not maintained; however, an Agency employee estimated that donations totaled \$531 in FY03 and \$326 in FY04.

Accepted - continued

Response: Accepted. Written procedures were implemented in November 2004 to ensure proper handling of donations collected at all historic sites. These procedures address the issues brought forth in this finding.

3. Develop and implement a written policy and procedure regarding overtime and adhere to this policy. Also, all overtime should be authorized in advance and subjected to an analytical review to monitor for abuse.

Findings: A Site Superintendent at one of the Agency's 60 historic sites reported more than 1,327 hours of overtime incurred between January 2001 and March 2004. This overtime resulted in total payments of \$31,702, during this time period. Agency records showed total overtime hours for other Site Superintendents ranged from 30 to 464 hours. The overtime hours worked were reported on a weekly basis, rather than daily, and were not submitted to the Agency timely. There was no evidence of supervisory approval prior to the overtime being incurred. In addition, an individual description was not provided for each day overtime was incurred. Rather, the same general description was given for all the overtime.

Response: Implemented. Written procedures were implemented in November 2004 to ensure proper use and documentation of overtime. These procedures address the issues brought forth in this finding.

4. Implement a formal process for developing policies and procedures and prepare a comprehensive policy and procedure manual for Agency-wide distribution.

Findings: The Agency did not have a comprehensive set of policies and procedures which resulted in the following:

- Divisions within the Agency were not following the same voucher processing policies and procedures.
- The maintenance of commodities also varied among divisions.
- The Agency did not comply with its internal bidding policies regarding printing procurements on all jobs exceeding \$500.

Response: The Agency has adopted policies and procedures for both its Human Resources and its IT sections. We assume finding 04-4 is targeted to the fiscal section. The fiscal section uses 30 ILCS, the SAMS manual, and CMS policies & procedures to maintain good practices without benefit of an internal policies and procedures manual. Creation of an internal policies and procedures manual is underway to supplement these established guidelines.

Commodities are an immaterial percentage of our overall budget, and are primarily very small stores of office supplies maintained in our various locations. The Agency has

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assigned each division to be responsible for its own commodities. This delegation is a proper solution to the operating needs of our agency, especially as regards our many remote historic sites.

The Agency has complied with the procurement law in all printing requisitions and procurements, and has, when time permits, gone beyond procurement law in the best interest of using State funds properly.

5. Adequately segregate duties in accordance with sound internal control policies and procedures.

Findings: The Agency did not maintain an adequate segregation of duties. The accounting manager had the ability to approve purchase orders, conduct the competitive bidding, review the vouchers for payments, and reconciling monthly expenditure information with the Comptroller's report. The Agency's expenditures totaled more than \$16 million in FY04 and \$17 million in FY03.

Response: Accepted. The Agency believes that adequate segregation of duties is to be sought to the extent possible while maintaining reasonable staffing levels. These controls are often difficult to achieve in small fiscal sections such as the one at the Illinois Historic Preservation Agency.

6. Comply with the State Employee Housing Act by evaluating rent charged for State-owned housing within the next 90 days to comply with State-owned Housing Policy.

Findings: The State Employee Housing Act requires that the Agency develop a policy on housing for State employees and analyze the need to provide low-rent housing to its employees. Rent charged for State-owned housing should be evaluated every three years and adjusted accordingly. Two of the eleven residences owned by the Agency are rented to non-employees for \$400 per month. The other nine residences are occupied by Site Managers, as a condition of employment. These employees are not charged rent, but they pay a \$40 monthly operations/maintenance fee.

Response: Accepted. The Director/Historic Sites Superintendent will evaluate possible rent adjustments for Agency State-owned housing within the next 90 days to comply with the State-owned Housing Policy.

The Agency concurs that it must improve compliance with the State Employee Housing Act. The Agency owns eleven housing units. Nine of the eleven are provided for site staff as conditions of employment. Those individuals provide after-hour support service, security and first response for emergency or security needs in consideration for waiving rent. This has resulted in a cost efficient, quality control for site operational needs.

Accepted – continued

The two remaining housing units are occupied by individuals not considered conditions of employment. One of the two units is provided at a reduced value in consideration of the tenant providing basic maintenance services including mowing, trimming, snow removal and monitoring the buildings and grounds for repairs. The person also provides security control of the site including buildings and what is known as a prime archaeological resource site. The individual is paid nothing for these services other than reduced rent consideration. The eleventh housing unit is rented at what is considered “fair market” value.

7. Comply with the Historic Preservation Agency Act by ensuring the necessary funds have been requested in order to comply with the State law once the Freedom Trail Commission is established.

Findings: Effective August 8, 2003, State law was amended to create the Freedom Trail Commission which was to work to preserve the history of the Freedom Trail and Underground Railroad. This Commission, to consist of 16 members, has not been established because none of the appointments were ever made by the Governor or the General Assembly.

Response: Accepted. The Agency will be sure that a request to fund the mandate is presented each budget cycle to the Governor’s Office of Management and Budget. The Freedom Trail Commission was added to the Historic Preservation Agency Act effective August 2003. There were no funds appropriated to administer the intent of the Freedom Trail Commission. The Agency has developed a budget for what the program will cost and has submitted that information for consideration.

8. Comply with the Illinois Historic Preservation Act or seek legislative changes to the Act. (Repeated-2002)

Findings: The Agency was not in compliance with the Illinois Historic Preservation Act.

- Only 14 of 15 members of the Historic Sites Advisory Council are currently appointed. The Council lacks one archeologist and one non-voting member, which should have been the Director of the ALPLM.
- The Agency has not added any properties to the Illinois Register of Historic Places since 1989.

Response: Accepted. The Agency will seek to bring membership in the Illinois Historic Sites Advisory Council up to full strength or seek legislative adjustment.

For the Illinois Register of Historic Places, the Agency continues to maintain and enforce the list as to properties already listed. The Agency continues in its efforts to repeal this law

as it is not effective and offers no practical advantage not already found in the National Register of Historic Places.

9. Fully perform fiduciary duties over public use trust funds.

Findings: The Agency established a Trust in 1995, referred to as the Hostick Fund, and contracted with third party service providers to invest the trust funds and to provide accounting services, including reports to the State Comptroller, C-17, on the locally held fund. Although the Agency approved expenditures, signed checks, and made deposits, it did not review bank reconciliations prepared by the third party service providers or perform any other post transaction reviews. The Agency did review and sign the C-17s. However, the Agency's review did not reveal significant errors involving inaccurate and untimely filed reports. Total assets in the Hostick Fund exceeded \$1.5 million in FY03 and \$1.8 million in FY04.

Response: Accepted. The Agency will monitor the third party service provider and schedules more closely. The Agency will also review the bank reconciliations.

10. Establish comprehensive policies and procedures that outline general security provisions, including appropriate use of computer resources; backup and care of data, and other appropriate policies to help ensure that effective controls exist. Communicate the policies and procedures to all users, and monitor for compliance. In addition, require all users to sign a statement acknowledging they have read, understand, and agree to comply with the policies.

Strengthen security within the computing environment by establishing, implementing, monitoring, maintaining and enforcing an access control strategy relating to the LAN and Internet. At a minimum:

- Establish a 35-day password change interval;
- Establish and enforce strict password policies (i.e., passwords length at a minimum should be 6 characters long, use of special characters encouraged, and use of initials or names within the password prohibited.
- Limit the number of concurrent connections;
- Limit the number of invalid access attempts to no more than three;
- Log off users after a reasonable period of inactivity;
- Ensure user accounts are promptly disabled upon employees' separation from the Agency; and
- Maintain a password history to prohibit the re-use of passwords.

Accepted - concluded

Findings: Although the Agency relies on its computer resources to meet its mission, the Agency had not established adequate security control over its Local Area Network (LAN) or internet environments.

Response: IHPA will develop and implement tighter network security procedures that users will be required to follow. In addition, IT staff will continue to be vigilante about removing user profiles and e-mail addresses for staff that have left the Agency.

Since the examination, we have secured all Agency servers, switches, and other infrastructure components in our data center and other locked closets throughout the buildings.

11. Evaluate relationship with each support group and enforce compliance with the “Support for IHPA-Hosted Groups” policy statement to ensure authorized use of limited State resources is appropriately restricted.

Findings: The Agency developed a policy statement regarding providing resources, including office space in its facilities for not-for-profit and other groups that had a mission similar to that of the Agency.

The following groups were classified as IHPA-Hosted Groups:

- Abraham Lincoln Presidential Library and Museum (ALPLM) Foundation;
- Looking for Lincoln; and
- Lincoln Academy.

The auditors noted the following instances of noncompliance with the policy statements:

- ALPLM Foundation’s Chief Operating Officer, a non-State employee had an IHPA email address.
- Non-State employees working for the ALPLM Foundation and Looking for Lincoln were utilizing software licenses owned by the Agency.

Response: Accepted. The Agency has already made the proper corrections.

Emergency Purchases

The Illinois Purchasing Act (30 ILCS 505/1) states, “The principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts...” The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize

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serious disruption in State services or to insure the integrity of State records. The chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make "quick purchases," including but not limited to items available at a discount for a limited period of time.

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY03 and FY04, the Historic Preservation Agency filed three emergency purchase affidavits totaling \$1,393,545.00 for repairs.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.

The Historic Preservation Agency indicated in a report filed on July 7, 2004 that the Agency had no employees assigned to locations other than official headquarters.